

COUNCIL ON DEVELOPMENT FINANCE

**March 31, 2008
PUBLIC HEARING 341**

THOSE PRESENT:

Mr. Andy Lubin, Chairperson
Mr. Steve Biener
Senator Nancy Cook
Mr. Tom Gilligan
Mr. James Hutchison
Mr. Fred Sears

Mr. Gary Smith
Mrs. Sanskriti Inamdar
Mrs. Lee Porter
Mr. Jeff Stone
Mrs. Lee Porter
Elio Battista, Jr., Esquire
Mrs. Barbara DeHaven
Mr. Joe Backer

ALSO PRESENT: Representing Quantum Leap: Mr. Frank Abbott and Mr. Joseph Elad; Comcast: Mr. Anthony Ditommaso, Mr. Vince Alonge, Ms. Robin Holts; Abacalab, Inc.: Dr. Chris Phelan; INVISTA S.a.r.l.: Mr. Gary Knight and Mr. Jim Groninger

LOCATION: Buena Vista, 661 South DuPont Highway, New Castle, Delaware

TIME: 9:00 A.M.

CALL TO ORDER

The meeting was called to order at 9:05 A.M. by Mr. Lubin, Chairperson, on Monday, March 31, 2008.

OLD BUSINESS:

Mr. Hutchison made a motion that the minutes of the February 25, 2008 Council on Development Finance meeting be approved as presented. Mr. Gilligan seconded the motion, which was then adopted by unanimous vote.

NEW BUSINESS:

Quantum Leap (“Quantum” or the “Applicant”) - The Applicant is requesting a matching grant from the Delaware Strategic Fund under the Delaware Technical Innovation Program in the amount of \$50,000. This research and development company proposes to use the proceeds in the development of its software to address the problem of coordinating multiple Unmanned Aerial Vehicles (UAV) through to support current and future use by military and civilian organizations by ensuring that minimal personnel are

exposed to high risk missions in current conflicts (the "Project"). The Project is located in Newark, Delaware.

Mrs. Inamdar presented this request to the Council. She stated that in 2000, Quantum received bridge funding in the amount of \$50,000 to assist with its plans of developing a hybrid scheduling system to fully satisfy the Air Force Satellite control network requirements. The proceeds of the grant were used to compensate for the lag between Phase I and Phase II specifically for salaries of employees assigned to the project. Mrs. Inamdar stated that this project was very successful and resulted in the ability for the Air Force to significantly improve the time required to reschedule satellite downloads and optimize the download of data from a large number of satellites. She stated that Quantum received an award for its achievements.

Mr. Elad stated that Quantum was created in 1998 and located in the Delaware Technology Park. He stated this is very unique for the State of Delaware. He stated they have created an innovative environment. He stated the way they make money is that they do the advance research with the government, create a product and then work with business partners. He stated they are working with the Departments of Defense and Homeland Security. Mr. Elad stated they are also beginning to work with the health care, pharmaceutical and life sciences industries. He stated they work with BBN, CACI, ALION, Raytheon, SAIC and CSC.

Mr. Elad stated that Quantum has software connected for the Navy that will predict when their HMMVV's may fail. He stated this is new technology which will enable our troops to predict where HMMVV's actually are located. He stated this technology is more sophisticated than On Star.

Mr. Elad stated that Quantum is working with pandemic influenza responses. They are able to predict when and how bad it will hit the US. He stated they work with shipboard disease responses. They also have other projects such as a unified incident command and a decision support project and an exploratory maneuver warfare project.

Mr. Elad stated there are potential commercial applications. He stated that currently when a plane flies, it flies the same path each time. Quantum is working on reconfiguring air space. FedEx expressed interest in improving their routes. They are working with the way trucks could communicate with each other to allow route changes that would be more productive.

Mr. Sears stated that often, Quantum is the subcontractor. He asked if Quantum got paid as a subcontractor or did it get paid when the project succeeds. Mr. Elad stated that they have to keep ownership of the technology itself. He stated one nice thing about the SBIR program is that the government has to keep the company involved. He stated the company files patents – the company defines the terms.

Mr. Elad stated that all of Quantum's team is in Delaware. He stated the biggest problem they face is hiring people. They need people with mixed talents of math and computer science.

Mr. Sears stated that his real concern is cash flow. Mr. Elad stated that the turn around with government contractors is about 10 to 15 days. Mr. Sears asked if Quantum had any investors. Mr. Elad stated that the investors were the Board members.

Mr. Lubin asked if there were any public comments; there were none.

After duly considering, inter alia, the nature of the business, that the Applicant is a "small business" within the meaning of 29 Del. C. §5035 (b)(3), that the Applicant has won a Phase I award in the Federal SBIR Program, that the Applicant has submitted a proposal for a Phase II SBIR award but has not yet received such award, that the Applicant's principal place of business will be located in the State of Delaware; and that the research to be conducted will benefit the Delaware economy, and other requirements under applicable statutory and regulatory provisions, Mr. Biener made a motion that the Council recommend to Mrs. Judy Ann Cherry, Chairperson of The Delaware Economic Development Authority, approval of a grant in an amount not to exceed Fifty Thousand Dollars (\$50,000) to be disbursed from the Delaware Technical Innovation Program ("DTIP"), to be used for the Project, contingent upon the approval remaining in effect through and including March 30, 2009. Mr. Gilligan seconded the motion, which was then adopted by unanimous vote.

Comcast Inc. ("Comcast" or the "Applicant") – The Applicant is requesting a grant in the amount of \$266,916 through the Delaware Strategic Fund for its customer service facility located in Newark, Delaware. The Applicant proposes to use the funds to offset training costs for its additional customer technical service center to be located at 300 N. Wakefield Drive in New Castle County ("Project").

Mr. Stone presented this request to the Council. He stated that this is a project where the initial conversations took place over a year ago. He stated that Comcast had been talking about locating a new customer call center in either Pennsylvania, New Jersey or Delaware. Mr. Stone stated that at that time, Delaware had a surplus of existing centers and one of those was the Bank of America call center. However, due to the type of jobs and the level of compensation, Delaware was not able to offer a lot of incentives. Mr. Stone stated that Comcast has already over 1300 people in Delaware. He stated that however, it was thought that it was important to signal Delaware's support of this company and for the new Project. He stated that Comcast has entered into a 10 year lease for the Bank of America call center. He stated that there are currently 130 employees on site and an additional 708 employees will be hired. With this Project, Comcast will have approximately 2,100 employees by the end of 2008. There will be approximately 828 employees at this site.

Mr. Alonge stated that Comcast has made its decision to invest in this call center. Mr. Gilligan asked where Comcast would find its new employees. Mr. Alonge stated that they would come from Newark and the surrounding area. He stated that specifically they find their employees from placing ads, an intensive recruitment department, job fairs and by word of mouth. Mr. Sears asked how much training time was involved. Mr. Alonge stated that each employee receives five weeks of training.

Senator Cook asked if all the new employees would be full time employees. Mr. Alonge stated that the strategy is for full time employees. He stated they have looked at part time, but that would be very minimal. He stated that the jobs described in the application are all full time positions. Mr. Biener asked if the employees received health care benefits. Mr. Alonge stated they did and they also received free Comcast services. He stated the positions will have sustainable wages.

Mr. Lubin asked if there were any relocation plans for any of their facilities. Mr. Alonge stated that he was not aware of any relocation plans. Mr. Sears asked how Comcast accepts employment applications – is it all through the internet. Mr. Alonge stated that it could either be done through the internet or by submitting a paper application.

Mr. Lubin asked if there were any public comments; there were none.

After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Delaware Strategic Fund Project will contribute to the maintaining or providing of gainful employment of the citizens of the State, (ii) the Delaware Strategic Fund Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Delaware Strategic Fund Project will require a capital investment of at least \$10,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the Grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance. Mr. Hutchison made a motion that the Council recommend to Mrs. Judy Ann Cherry, Chairperson, The Delaware Economic Development Authority, approval of a grant in the amount not to exceed Two Hundred Sixty-Six Thousand, Nine Hundred Sixteen Dollars (\$266,916) to be disbursed from the Delaware Strategic Fund, for the Delaware Strategic Fund Project, contingent upon the approval remaining in effect through and including March 30, 2009. Mr. Sears seconded the motion, which was then unanimously approved.

Abacalab, Inc. (“Abacalab” or the “Applicant”) - The Applicant is requesting financing in the amount of \$50,000 from the Technology Based Seed Fund/Phase I program. The Applicant proposes to use the funds for working capital expenses and to fund promotional and sales support activities (the “Project”). The Project is located at 811 N. Franklin Street in Wilmington, Delaware 19806.

Mrs. DeHaven presented this request to the Council. She stated Abacalab is an entrepreneurial start up business. She stated that the Technology Based Seed Fund is designed to foster the creation of technology-based start-ups in Delaware and Abacalab fits the criteria.

Dr. Phelan stated that he was the founder of Abacalab. His background is in chemistry and computers. He stated his degree is actually in chemistry. To deal with all the electronic lab reports that are necessary, he developed a device that would fit into the pocket of a lab coat. He stated the next step is to integrate it with markets needing lab notes so they can archive the information.

Mrs. Inamdar stated that the Technology Based Seed Fund Board (“TBSFB”) has already reviewed this Project and has recommended that the Project continue through the review process by the Council on Development Finance. She stated that Abacalab had actually requested \$94,000 but the TBSFB looked at different criteria and felt that at Abacalab’s current stage, it would be more appropriate to go through the Technology Based Seed Fund I. She further stated that once the Project proceeds further, then the company could apply for Seed Funding II. Dr. Phelan stated he was comfortable with that recommendation. Mr. Lubin asked if the ratios were the same for Phase I as for Phase II. Mr. Smith stated they were the same.

Mr. Lubin asked Dr. Phelan if he had considered leasing the equipment. Dr. Phelan stated that they had looked at that possibility, but because the price point was nominal it was decided that leasing wasn’t the best route. He stated that new software is updated every seven to eight months. He stated that when a chemist buys this product, they get a year of free updates and then each year thereafter, they must buy the service.

Mrs. Inamdar wanted to make sure the Council was aware that at the end of the Application form, DEDO has included a screening sheet. Basically the screening sheet looks at each company from a variety of criteria that are weighted that speaks to the amount of due diligence that goes into these projects.

Mr. Lubin asked if there were any public comments; there were none.

After duly considering, inter alia, the nature of the business, that Abacalab, Inc. is a technology-based small business start-up within the meaning of the TBSF Program, that providing assistance will foster a high wage, fast growing small business in the technology fields set forth in the TBSF Program, that Abacalab, Inc. has been reviewed

and recommended for approval by the Seed Fund Advisory Board, the Council made the following findings: (i) the Project will contribute to the maintaining or providing of gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000, which funds, including the loan proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested loan funds; (iv) the loan will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, Mr. Sears made a motion that the Council recommend to Ms. Judy Ann Cherry, Chairperson, The Delaware Economic Development Authority, approval of a convertible note in an amount not to exceed Fifty Thousand Dollars (\$50,000) to be disbursed from the Technology-Based Seed Fund I, for Abacalab, Inc., contingent upon a first security interest in the Applicant's Intellectual Property (patent) and upon the approval remaining in effect through and including March 30, 2009. Mr. Biener seconded the motion, which was then unanimously approved.

INVISTA S.a.r.l. ("INVISTA") or the "Applicant" - The Applicant is requesting a grant in the amount of \$1,676,000 from the Delaware Competitiveness Fund (the "DCF Grant"). The applicant proposes to use the funds to help offset the capital expenditures at its current operations located in Seaford, Delaware (the "Seaford Facility"). The Applicant is also requesting an amendment to its existing Delaware Strategic Fund Grant.

Mr. Lubin asked for a description of how the original grant monies were used. Mr. Smith stated that in September 27, 2004, The Delaware Economic Development Authority approved a \$14,000,000 Delaware Strategic Fund grant for INVISTA (the "SF Grant"). Of the \$14,000,000, \$11,750,000 has been disbursed. INVISTA has been meeting the requirements of the SF Grant Agreement signed December 7, 2004. Within the SF Grant, \$2,250,000 for "New Employee" was to be used to support the recruitment of high-wage engineering jobs to New Castle County. These funds have not been disbursed (funds can be disbursed up to April 30, 2010). Mr. Smith stated that today, INVISTA is requesting a modification of the SF Grant to allow the "New Employee" portion of the SF Grant to be used for environmental improvements to the Seaford Facility. The proposed environmental improvements that INVISTA will be undertaking are critical to the long-term survivability of the Seaford Facility. Mr. Smith stated that without these modifications, the Seaford Facility may be forced to close.

Mr. Smith stated that today INVISTA is also requesting the DCF Grant. He stated the two grants would be cross collateralized; if one defaults, they both will. He also stated that the grants will be based on employment levels at the Seaford Facility. Mr. Smith stated that all but \$500,000 of the original amount was for New Castle County. Mr.

Smith stated that now we are putting emphasis on one of the major manufacturing facilities in Sussex County. He stated it is a very high paying manufacturing facility and has a tremendous economic impact on the community. He stated that in the past, DuPont was not making a lot of capital investments, and DEDO was concerned that because of that, the nylon plant was going to close. He stated that this Project today is considered a major move forward.

Mr. Lubin asked if the original allotment of \$500,000 for training at the Seaford Facility was used. Mr. Smith stated that it had been used. He stated that INVISTA has met all of its obligations thus far from the SF grant.

Mrs. DeHaven stated that the request today is from the Delaware Competitiveness Fund which was created to help preserve businesses that are currently in Delaware.

Mr. Knight stated that he had been at the Seaford Facility since 1995 as Plant Manger. He has been Site Manager since 2005. He stated the largest portion of the \$56,000,000 in capital expenditures will be for the purchase of new equipment. This will be concentrated on the remediation of coal fired boilers. He stated the Seaford Facility itself is on 650 acres of which a large portion is not developed. He stated there are about 240 acres of developable space. Three of those acres are under roof. He stated that the first nylon at that Seaford Facility was made in 1939. They have about 800 people of which 500 are direct and 300 are contractors.

Mr. Knight explained that there were basically four business units. They have a nylon product that mostly goes into fiber carpet or apparel. Another product, a more stable fiber, goes into army combat uniforms and chemical-resistant clothing for the military, pool table covers, tennis balls, etc. He stated INVISTA may not be well known by its name but it is known for brands such as Stainmaster, Antron, etc.

Mr. Knight stated that previous to 2004, the Seaford Facility shrunk significantly and became increasingly uncompetitive. He stated that as a result of the earlier restructuring, the Seaford Facility was left with a substantial "over-hang" of infrastructure and overhead costs.

He stated that there are literally third line generation employees. In 2007, they hired 100 new employees. He stated INVISTA is committed to improving site competitiveness and innovating its manufacturing processes and its high-value, differentiated product lines.

Mr. Knight stated INVISTA will be doing significant environmental capital projects. He stated there are two basic options: Option A is to use coal and option B is to use natural gas. He stated these compliance requirements have to be put into this project if it is to continue operating out of the Seaford Facility. He stated this is "clean energy" with natural gas which has more advantages.

Mr. Lubin asked if there were any problems in terms of reallocation of the \$2,250,000 from the New Castle project to the Seaford Facility. Mr. Battista that he would need to draft an amendment to the SF Grant Agreement. Mr. Lubin stated that he just wants to make sure that it can be done and that it is done properly.

It was stated that if the capital expenditures are less than the \$56,000,000, the amount of the DCF Grant would be less. Mr. Battista explained that the SF Grant requirements for New Castle County will still have to be maintained. It was stated that there would be cross defaults.

Mr. Biener expressed concerned about a “double recovery” by INVISTA if and when the recently commenced law suit by INVISTA against DuPont (the “DuPont Litigation”) is successful or settled as he feels there may be a potential for INVISTA to recover some of those funds which would be allocable to the Seaford Facility. He believes there should be a provision in the DCF Grant agreement that would allow DEDO to recapture funds that INVISTA may receive from the DuPont Litigation allocable to the Seaford Facility. Senator Cook agreed with Mr. Biener. Mr. Knight stated he didn’t know the results the law suit would have, but he does know that modernization of this plant is needed. He stated about \$20,000,000 of the capital expenditures will go directly to bringing the company into compliance so he feels that regarding the “recovery amount”, the amount that could be affected by the lawsuit would be approximately \$600,000. Mr. Biener stated that whatever the amount that is recovered by INVISTA from the DuPont Litigation allocable to the Seaford Facility should be recouped by the DEDO up to the amount of the DCF Grant. Mr. Lubin stated that he thought it was a good idea but that there should be a limit on the number of years as the law suit could go on for many years. He feels a ten year period limitation on recovery time would be acceptable. Mr. Biener felt that was reasonable.

Mr. Lubin asked if there were any public comments; there were none.

Mr. Sears made a motion that the Council recommend to Mrs. Judy Ann Cherry, Chairperson, The Delaware Economic Development Authority, approval of: 1) the Applicant’s request for an amendment to the SF Grant Agreement between INVISTA S.a.r.l. and The Delaware Economic Development Authority dated December 7, 2004, to allow the “New Employee” portion of the SF Grant to be reallocated to the Seaford Facility and 2) the DCF Grant, contingent upon INVISTA returning to DEDO any funds that are recaptured by INVISTA from the disposition of the DuPont Litigation allocable to the Seaford Facility up to the amount of the DCF Grant. Mr. Biener seconded the motion, which was then adopted by unanimous vote.

After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the INVISTA Project will provide a matching grant to induce the Applicant to modernize its facility and

preserve high-wage jobs, (ii) the INVISTA Project will assist the Applicant in the transformation to updated processes that that will keep the facility in operation, (iii) the INVISTA Project is feasible because the Applicant has the necessary financial and management resources to execute the Competitiveness Fund Project, (vi) the Applicant is at a disadvantage to national competitors who can operate with newer, more efficient technology and international competitors who compete on price through reduced labor costs, (vii) the Applicant is a profitable and growing going concern that is financially capable to make the proposed capital investment, (viii) the Applicant is current on State business taxes, (ix) the Grant will effectuate the purposes of the Program and of subchapter IV of chapter 50 of title 29 of the *Delaware Code* (x) the INVISTA Project will maintain or provide gainful employment for citizens of the State, (xi) the INVISTA Project will serve a public purpose by contributing to the prosperity, health or general welfare of the citizens of the State, (xii) the INVISTA Project will require a capital investment of at least Ten Thousand Dollars (\$10,000), which funds, including the Grant funds, will be available or already expended on the date of the first disbursement of the Grant, (xiii) the Applicant is not a chronic violator according to 7 *Del. C.*, c. 7904, and (xiv) the Applicant is a financially responsible assisted person and has not been convicted of a major labor law violation or of illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the date of the Grant Agreement. Mr. Sears made a motion that the Council recommend to Mrs. Judy Ann Cherry, Chairperson, The Delaware Economic Development Authority, approval of the DCF Grant in the amount of One Million Six Hundred Seventy-Six Thousand Dollars (\$1,676,000) to be disbursed from the Delaware Competitiveness Fund for the INVISTA Project, contingent upon INVISTA returning to DEDO any funds that are recaptured by INVISTA from the disposition of the DuPont Litigation allocable to the Seaford Facility up to the amount of the DCF Grant and upon the approval remaining in effect through and including March 30, 2009. Mr. Biener seconded the motion, which was then unanimously approved.

ADJOURNMENT: The meeting was adjourned at 10:000 A.M.

Respectfully submitted,

Lee Porter, Secretary

LKP

cc: Members of the Council on Development Finance
Director Judy Ann Cherry
Elio Battista, Jr., Esquire

The next CDF meeting is scheduled for Monday, April 28, 2008 at 9:00 A.M. at Buena Vista.

